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FINANCE, FEAR, AND FAMILY: ISSUES OF TRUST AND THE COMMON GROUND WITH TERRORIST FUNDING

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Abstract

In the immediate aftermath of al-Qaeda's September 11 attacks on the United States of America, examinations of terrorist funding focused on the Middle Eastern and South Asian use of Hawala and non-traceable financial transactions. However, whilst the cloaking of identity is certainly a part of criminal activity for funds transfer, there are other factors. South Asia's community banking norms align far more closely with informal systems that follow centuries-old customs of familial trust rather than reportable record keeping. Tightened restrictions on money movement in the form of identity checks and statements of purpose have coerced more than two hundred million South Asians into choosing western banking systems that conform to international regulations that show a clear audit trail of identity. Poorer countries, where banking institutions have a history of corruption and mistrust, show a partiality for informal and localised systems of transfer referred to as Informal Value Transfer Systems (IVTS). In particular, the region of South Asia exhibits these informal traits more noticeably than other regions. This paper identifies patterns in large international funds transfers by examining the methods and rationale behind the financial transactions of international students studying at Australian universities. The research highlights issues of trust, fear, and familial dependency as key factors of influence. The results point to key local and domestic practices that override global adherence to financial governance, regulatory banking, and anti-money laundering. As the Arab Spring invokes democratic imaginings throughout many nations, one thing becomes clearer than before. Ordinary people, rather than simply terrorists, have lost trust in government regulations and in financial institutions. Instead they survive through a connection with familial, localised systems that indicate resilience to the financial trappings of western financial regulation. This paper examines the transfer habits and preferences of 395 international university students in Australia. It concludes that non-traceable international transactions are a cultural and regional norm that transcends Western banking legislation that has been constructed in reaction to terrorism. That ordinary people choose informal systems of funds transfer (alongside terrorists and money-launderers) is a phenomenon that deserves consideration. Informal Value Transfer Systems (IVTS) remain a significant and overlooked component of the global economy.

Keywords

Counter-Terrorism, Trust, Finance, Alternative Remittance Systems (ARS), Informal Value Transfer Systems (IVTS), Resilience, Money Laundering.

INTRODUCTION

Advanced economies rely on sophisticated systems of governance, taxation and financial regulation. Yet internationally there are many different economic systems that are built on varying cultural values which are not aligned with western neo-liberal financial mechanisms. In some countries, the act of trusting one's financial savings to a bank is a gamble. India, for example, is named in 2011 as the worst nation for secret bank accounts with more than one Trillion US dollars in black money and informally stashed monies (TOI, 2011). Pakistan operates approximately 500 billion rupees annually in informal funds transfer using Hawala and Hundi (PKE, 2011), and Sri Lanka passed the September 2011 laws on Money Laundering (WSJ, 2011) in an effort to control black money, corruption, and terrorism finance. South Asia as a region has the highest ranking for Informal Value Transfer Systems (IVTS). The region includes India, Pakistan, Afghanistan, Nepal, Iran and Sri Lanka (UNSD, 2011). All of the region's major governments sound warnings about corruption and crime. Formal banking institutions and financial regulatory governance are promoted in official circles throughout the region.

Yet regionally millions of people ignore the practice of transparent finance, instead opting to retain a local and familial connection with their money, usually through Alternative Remittance Systems (ARS) also known as informal schemes such as Hawala and Hundi. These are alternative remittance options that "operate in part, or completely separate to, formal banking and financial systems, regardless of its legal standing in any one nation" (FATF, 2005, p.5).

These cultural and regional distinctions clash with western bank regulations that seek to prevent terrorist funds transfers by preventing non-western systems of remittance. Western regulators point to the need for identification of senders and receivers of money transfers, whilst South Asian people from all backgrounds regularly use IVTS despite western regulations. Where South Asian people send money internationally, (as is the case for university students studying in Australia) informal and formal transfer systems compete for remittance business. The results explained in this paper show that international remittance legislation in Australia overlooks the culturally accepted conduct of ordinary South Asian people who use informal money transfers. This study demonstrates that the Australian government and its regulator AUSTRAC's preference for enforcing formal corporate financial regulation comes at the expense of familial and community-based remittances that rely on trust. As a result of this policy stance, university students (and other internationals) are unfairly disadvantaged by terrorist-inspired financial regulations.

At first glance there are cultural and familial distinctions that set South Asia apart from other regions in terms of its financial regulations, and its banking systems. As people emigrate from countries with different economic systems, to Australia's formal and financially regulated economy, issues of trust emerge in relation to the use of core financial services. What is held as trustworthy in one land is held as dishonest in another. In Australia, where the regulatory financial emphasis remains on identity audit trails for remitters and submitters, transfers from some countries ignore, or partially disregard, the security need for identity disclosure of international transfers (AUSTRAC, 2006). In the South Asian region there is a much stronger reliance on informal systems of remittance than in western nations such as Australia. These distinctions are critical in making sense of informal remittance habits in the face of the global remittance policies of the Financial Action Task Force, who are the inter-governmental body charged with the purpose of providing guidelines to combat money laundering and terrorist financing (FATF, 2005). AUSTRAC take on a smaller but similar role by enforcing these guidelines through Australian policy and legislation (AUSTRAC 2006).

Rather than attempting to find and examine terrorists who operate in dark (non-traceable) money, this study considers the set of in-common financial behaviours that characterise both the trust relationships of ordinary South Asian expatriates who need to transfer money internationally, and the financial systems that terrorists use. By examining the transfer and remittance systems of international tertiary students who pay university fees in order to study in Australia, it is possible to identify the popular methods by which people from South Asia choose to send money across international borders. As such this paper looks at whether the use of informal remittances has regional and cultural links, or whether the use of Hundi and Hawala is simply an indicator of criminal intent. If it is only terrorist organisations and criminal syndicates that use informal transfer systems then one might conclude that the system is best seen as an instrument of crime. However, if the international transfer patterns of the South Asian region expose widespread use of informal systems that extend beyond terror organisations, then it is clear that other factors underscoring its acceptance are highly significant. The financial regulatory bodies such as the FATF and AUSTRAC, buoyed on by imprudent financial instruments such as the US PATRIOT Act, imply that people who do not follow western governance systems are probable criminals and possible terrorists. The concept that familial trust has equal, if not greater, value than commercially operating western banking records is at the very least a contested issue. When university students choose to transfer large sums of money into Australia without seeing the need for personal identification and regulated record keeping, the case can be made for a re-evaluation of remittance policies that were invented to prevent terrorists from transferring money.

BACKGROUND OF THE STUDY

The knowledge that international students studying at Universities need to transfer large sums of money into Australia in order to pay considerable educational fees (FutureUnlimited, 2010), presents a unique opportunity to examine whether the money-transfer practices of students differ greatly from would-be terrorists and money

launderers. Formalised banking systems are being institutionalised as the only form of suitable banking, basing the rationale for this superiority on the notion that IVTS is a hotbed of terrorist activity. Yet South Asian and Middle Eastern understandings about banking are more focused on grass-roots family trust than corporatized high-level institutional governance. The habits of international university students is useful since it shows the banking norms and values that are actually trusted by students and their families, rather than the constructed values of corporate banking that present IVTS as criminal and dangerous. This study examined questions about what types of transfers were used by international tertiary students, and how they perceived various systems in terms of trust, advice, ease of use, preferences and fears.

International students were chosen as a suitable sample because they represented a wide range of regionally distinct expatriates, engaged in paying university fees of between $5,000 and $30,000 in an Academic calendar year, and were likely to experience a range of high level financial transactions in support of their living expenses. As such they represented a consistent cohort of people who would regularly engage in international money transfer into Australia. Students would need to use transfers to pay university fees, and also pay for accommodation, food, and other disbursements. The study was therefore specifically interested in the way in which students chose to facilitate their payments. An anonymous survey was created for this study. It asked: "Did they use formalised banking institutions for bank transfers, did they use Informal Systems, or did they simply carry their currency into the country in the form of cash?"

FOUR KEY TRANSFER PATTERNS

Previous studies of money transfers into Australia have revealed several pathways of both a formal and an informal nature that characterise the financial patterns of international remitters (Cook & Smith, 2011). The majority of currency passes into Australia through formal banking and transfer systems (AUSTRAC, 2009). These are highly transparent transactions that indicate the identity and provenance of large scale funds transfers. Other transactions are at the informal end of the remittance spectrum. Informal Value Transfers such as Hawala and Hundi transactions mask the identity of participants, and money agents destroy any known records after each transaction. These two remittance pathways are best known for their use of agents who transfer money through a familial network of contacts rather than a franchised commercial banking operation. As such they are opaque to any records management, audit trail, and regulatory governance. Often termed *underground* or *parallel banking*, these types of systems are ethnically centred and are dependent upon trust and familial connections (Napoleoni, 2004 p.279-283, Razavy, 2005 p.280-281). These transactions remain highly suspicious, to regulatory bodies such as AUSTRAC, since they allow money launderers and terrorist financers to operate in the dark. Two key terms describe a variety of remittances. IVTS refers to those transactions where the formality of record keeping is ignored or played down as less important than other forms of governance and trust (in particular family). Alternative Remittance Systems (ARS) refers to those forms of remittance that are alternative to Western banking systems.

A third range of transactions floats in-between these others, popularised by the internet and the promise of instant transactions, insignificant fees, and at-home convenience. On the surface systems such as PayPal look highly transparent, yet in reality they: operate without the record-keeping of a bank transfer; can be enabled with pre-paid anonymous credit; and may divulge little more information than an I.P. address and a Yahoo email identity (FATF, 2008). Other online transfer systems such as Western Union, MoneyGram, and Forex offer a semi-formal alternative to formal banking, but remain beleaguered by poor compliance, wide-spread corruption, and low-level identity fraud. The fourth method of money transfer is physical. Every day millions of dollars in currency is physically carried on planes and in suitcases over international borders. There are multiple examples of dark money across all four principle methods of international money transfer.

PERCEPTIONS OF TRUST IN BANKING

Trust and confidence in the finance sector are central aspects of stability within any nation state. These features are also pivotal to the national security of every country since any factors that influence the viability of an economy also inhibit effective governance. The negative impact of instability and distrust has been demonstrated in a number of cases, mostly in developing countries where stability is difficult to maintain (Milne 1990). In many of these countries the conditions emerge that promote distrust in the formal economy, as can be identified through the abundant use of informal financial services (Maimbo, 2003 p.37, Rees, 2010 p.15).

In some cases the lack of trust stems from corruption, whilst in others it battles the western perceptions that Middle-Eastern and South-Asian banking systems support criminal and terrorist activities by allowing transferred funds to proceed without establishing the identity and purpose of the remitter.

Internationally there are different levels upon which ARS operate. According to the FATF (2005 p.14), these typologies underline the fundamental characteristics of many money laundering case studies researched and documented by international authorities, within which abuse has been experienced on all levels. The first and most prominent are those found on the international level which the FATF have labelled 'franchised multinational companies'. This category represents the globalised remittance providers such as WU, iRemit, and PayPal amongst many others. At a secondary level the FATF has recognised what it calls operations within another business. In some cases these are overt whilst in others they are covert. Since the regulatory and cultural differences between South Asian and Australian banking systems are widely divergent, a possible combination of these overt and covert business operations might see a Hundi transaction take place under open and transparent means in India, whilst resolving at the Australian end of the same transaction in a covert and hidden manner. Hundi transactions are not openly advertised in Australia because they are perceived as a transfer method of choice by al-Qaeda and their terrorist affiliates (Cook and Smith 2010).

Examples of banking systems operating under diminished perceptions of trust are widely acknowledged throughout the Asian region. Reinhart and Rogoff's (2008) report on global banking crises nominate India, Sri Lanka, and Malaysia as recording multiple decades where both domestic and sovereign debt remained in default and subject to record assistance from external creditors. During the Asian Financial Crisis of 1997-1998 Indonesia and Malaysia experienced major losses in terms of trust and confidence in their formal economic processes. Indonesia's then President Suharto closed sixteen insolvent banks in 1997 when the crisis was in full swing, giving Indonesia's citizens clear reason to rely on informal financial services rather than risk their savings within poorly run banks (Freedman, 2010 p. 237, Foundation, 2011). Similarly in Malaysia 1997, the entire formal economy was restructured and many finance companies were merged together. This event also included two large banks being declared insolvent which accounted for 14% of total banking assets in Malaysia (Reinhart and Rogoff, 2008 p. A5-11). Examples of corruption only serve to compound these perceptions. In Malaysia, Bank Negara lost up to RM30 billion of taxpayer money in a failed Forex investment throughout 1992-94, which has not yet been investigated by Malaysian authorities (Siang, 2006). Altogether these incidents foster the setting for widespread mistrust of formal financial operations.

In contrast, informal systems such as Hundi and Hawala remain locally embedded in familial trust. Transactions are made through known agents within the community. People know the person who they are entrusting their remittance / transfer requirements with, and those acting as, Hawaladars and money agents are considered to be responsible since they live and work in the same community in which their customers live. These informal systems have a far more familial dependence. Operators are often related to other operators, and there is a solid expectation that these persons can be trusted to perform their remittance services in a perfunctory manner. Indeed, Loretta Napoleoni (2004) describes the inherent trust of the Hawala system and its ability to thrive in otherwise unstable financial conditions, since failure to deliver the funds by a Hawaladar would often result in death. In any event, the perceptions of communities throughout South Asia have a closer connection with informal systems of money transfer than in the financial powerhouse regions of North America and Europe. Given the ability to exert such extreme influence upon a Hawaladar or remittance agent, it is no wonder that Terrorist organisations might also feel more inclined to trust an informal structure than one which is franchised through a system of financial regulation.

DATA COLLECTION

The study constructed was placed into an online survey facility. Students were directed to visit a URL where they could anonymously record their information pertaining to how they brought money into Australia as part of their needs as international students. Students were approached physically in libraries and common rooms at universities and TAFE colleges in Australia. Upon identifying each student as an international student, they were handed an information sheet with the URL, and asked to participate in the survey. Additionally, students were directed to participate in the survey but were contacted using an email request which was sent out to specific international student groups with the assistance of university clubs and student guild associations. In these cases students were directed to visit the same URL and record their answers. Students were not informed

that their answers would be directly compared against transactional reports of terrorist organisations. Instead, they were informed that the survey would assist in better understanding the ways in which large sums of money could more safely, efficiently and regularly be transferred from other countries into Australia.

Enrolment in an Australian tertiary institution requires considerable revelation of identity and suitable previous educational success. Similarly, the respondents to the survey were expected to disclose their methods of financial transaction yet were expected to do so without any fear of retrospective prosecution or consequences of any kind. Students gave their responses according to their normal transfer practices. Respondent answers could therefore be taken with a high degree of convergent validity. Respondents were asked to nominate the region from which they originated, the degree or course level they were attempting, and their age. The survey then asked a series of questions relating to what their main system of money transfer was, their preferred system of transfer, and which systems they believed to be most reliable. The answers were designed to depict which systems they had the most trust in, as well as which systems were actually used.

The study also focussed on ARS trends for transfers into Australia. The term 'alternative' with regard to remittance systems can be interpreted in a few ways. In some cases the term associates an 'alternative' system with just Informal Value Transfer Systems (IVTS), whilst others use the term in a more formal manner referring to just those systems which have been regulated under law, such as Western Union (WU) (Rees, 2010 p.3). In many cases there are underground systems that are ethnically centred and are based on trust and familial connections, the most well known systems being Hawala, Hundi, and the Black Market Peso Exchange (Napoleoni, 2004 p.279-283, Razavy, 2005 p.280-281). However this study follows the broader definition for ARS as set out by the Financial Action Task Force (FATF) which refers to a remittance that need only be different to the formalised banking in one of the two countries involved in the transfer. This is an important distinction in terms of the South Asian region where informal familial systems operate without the same regulatory grip as AUSTRAC operates in Australia.

RESULTS

This study's data set consists of 395 responses from international tertiary students to an online money transfer survey. This anonymous survey was structured to identify how participants transfer their money, what processes they trust, and to provide insight as to their perception of formal versus informal financial services in both Australia and each respondent's country of origin. The respondents to this survey represent every major populated region of the world. Of the 395 students that answered the first relevant question to this paper, 17.3% were from Northern Asia, 4.7% were from the Middle East, 0.8% were from South America, 24.8% came from South Asia, 30.7% were from South East Asia, 6.3% were from Europe, 2.4% were from North America, and 13% were from African. Respondents from South Asia accounted for 1 in 4 responses to all survey questions.

SYSTEMS OF TRUST

Participants were asked to choose which system of banking they had more faith in. When asked to choose between informal systems and regulated "western" banking systems two sets of responses are noteworthy. Combined responses from all regions showed 63.8% of participants had "faith" in western regulated financial institutions. However – 56.1% of those from South Asia (ie India, Pakistan, Sri Lanka and Bangladesh, Afghanistan) had more faith in informal systems than in regulated "Western banking systems (Table 1).

Table 1. Preferences on the Basis of Faith in money transfer systems

.	All Respondents	Respondents from South Asia
More Faith in Informal Transfer systems	**36.2%**	**56.1%**
More Faith in Regulated "Western" Banking systems	**63.8%**	**43.9%**

A supplementary question asked respondents to give details about their normal method of bringing money into Australia from their home country. Of the 395 responses there were six obvious categories.

- Alternative remittance services such as Western Union and Moneygram
- Formal Bank transfers including Telegraphic Transfers
- Informal Value Transfer Systems (IVTS) such as Hawala and Hundi
- Physical transfer of cash (carried on their person through airports)
- Family/friend (carried on their person through airports)
- Other/unknown

Overall there was strong support for formal banking systems when transferring money, with 70% of respondents indicating that they normally used a bank transfer over any other kind of money transfer. However South Asian respondents showed significantly less support for formal banking than other regions, and in contrast were 4 times more likely to use an informal system than across all regions. The South Asian respondents were also more supportive of familial and localised systems of transfer (Table 2). If the IVTS, Hawala, and Hundi transfers are added to the number of respondents who preferred carrying cash themselves or though a family member, then there is a much more even distribution between franchised formal systems (at 37.9% support) and familial systems (at 36.6% support). Familial systems include both the IVTS of Hundi and Hawala and the transfer of cash through family and friends. They reflect an acceptance of known people and associates over corporate systems that are more connected with multinational interests than domestic concerns.

Table 2. Normal Method of Transfer.

	Western Union & Money Gram	**Formal Bank Transfers**	**Informal Hawala / Hundi**	**Physical carrying of Cash**	**Friend or Family member**	**Unknown**
Respondents All Regions	**13.3%**	**70.0%**	**5.3%**	**4%**	**1.3%**	**4.6%**
Respondents South Asia	**12.3%**	**37.9%**	**21.9%**	**7.1%**	**7.6%**	**0%**

An additional question asked respondents to disclose what system of transfer was considered by them to be the most trusted method for transferring money (Table 3). In this instance formal banking systems received 71.2% of the results as the most trusted system of transfer. Again, in contrast to all other regions, the respondents from South Asian only gave formal banking 45.7% of the support. The familial transfer options received 50.5% of the combined localised systems of IVTS, Hundi, Hawala and carry-on cash transfers. The results show that South Asians perceive less trust in formalised banking than in a range of other options.

Table 3. Opinion of Most Trusted Method of Transfer.

	Western Union & Money Gram	**Bank and Telegraphic Transfers**	**IVTS such as Hawala and Hundi**	**Physical transfer of Cash**	**Friend or Family member**	**Unknown**
Respondents All Regions	**6.2%**	**71.2%**	**2.7%**	**6.8%**	**3.4%**	**6.2%**
Respondents South Asia	**0.2%**	**45.7%**	**19.8%**	**17.8%**	**12.9%**	**3.6%**

RECENT ONE-OFF TRANSFERS

A separate section in the survey asked respondents to show what systems they had used for transfers in the last 12 months. This did not show frequency of use, but asked respondents to indicate any methods that they had used. Many respondents nominated multiple methods of transfer, indicating a high level of experience across a range of money transfer options. The most common practices included Bank Transfers, Western Union Transfers, Hundi Transfers, and the personal conveyance of cash money.

Formal Institutions and Bank Transfers

Transfers through formal institutions accounted for the largest response in terms of money transfers. Respondents from all regions showed large numbers of participants used this method of transfer at least once in the last 12 months (Table 4). The results showed that 28.1% of participants that responded to this question had gone at least a whole year without making a transfer through Australia's formal banking sector. South Asian respondents showed less support than other regions, with 40.3% of participants not using a formal Bank Transfer in the last 12 months. The significance of those who did not use a bank transfer is considerable. Most prescribed methods of transfer by universities secure the payment of fees by a system that is trusted within the Australian regulatory context. Standard administrative policies from Australian universities recommend the payment of fees by either Bank or Telegraphic Transfer (TT) (FutureUnlimited, 2010).

Table 4. Transfers using a formal Bank or Institution (in the last 12 months).

	All Respondents	Respondents from South Asia
Used a Bank Transfer	**71.9%**	**59.7%**
Did not use a Bank Transfer	**28.1%**	**40.3%**

Semi-Formal Agencies

The use of semi-formal franchises such as Western Union (WU) represents the increasing number of franchised efforts to meet with the community need for local representation. Western Union agencies are prolific in number, and are typically positioned into ordinary shops and precincts. In some cases they are placed into Postal Offices, however many agencies can be found within single operator convenience stores that may appeal to those who trust a local operator more than a formal institution. From all respondents the number who had used Western Union was 31.3%, whilst those respondents from South Asia showed a slightly higher preference for WU agencies with 36.7% indicating they had used the agency within the last 12 months.

Table 5. Transfers using Western Union (in the last 12 months).

	All Respondents	Respondents from South Asia
Have used Western Union	**31.3%**	**36.7%**
Have not used Western Union	**68.7%**	**63.3%**

Informal Systems

The difference between South Asian respondents and students from all other regions is most clearly demonstrated within the use of informal systems. Across all regions only 7.6% of all respondents used Hundi for money transfers (Table 6). In stark contrast 37.7% of respondents used a Hundi system in the preceding 12 months for a money transfer. Hundi is an established system of transfer in South Asia that pre-dates western financial systems of banking by several centuries (FATF, 2005). Whilst it is to be expected that Hundi would receive higher levels of usage than in other regions, it is noteworthy that such a strong level of support for Hundi still exists given the international pressure for money remittances to show clear audit details of the

identity of both the sender and the receiver of the funds (USA Patriot Act, 2001). Given that Hundi (and Hawala) systems do not record these details under normal conditions, it is a clear indication for the strong support of informal systems that such a high number of remittances are occurring between South Asia and Australia when Australia has an almost invisible and relatively small number of remitting agents who use Hundi systems openly (Cook & Smith, 2011).

Table 6. Transfers using Hundi (in the last 12 months).

	All Respondents	Respondents from South Asia
Have used Hundi	**7.6%**	**37.7%**
Have not used Hundi	**92.4%**	**62.3%**

Table 7. Transfers using Cash brought in Person (in the last 12 months).

	All Respondents	Respondents from South Asia
Personally Brought in Cash	**56.1%**	**68.7%**
Did not bring in Cash	**43.9%**	**31.3%**

Respondents of all regions showed an affinity for transferring money into Australia by personal means (Table7). 56.1% of all respondents indicated that they had brought large sums of money into the country on their person. Of the South Asian survey participants an even larger number brought in large sums of cash personally, with 68.7% indicating they had done so in the preceding 12 months. Cash movements such as these represent a high level of support for informal transactions. Since they are transferred in such a personal manner, they attract virtually no auditable records and when done in such large numbers they represent a significant portion of dark, unaccounted for currency movement. In combination with the high level of Hundi use, it is clear that respondents from the South Asia region have a much closer affinity for informal cash transfers than other regions globally. Since the respondents to the survey are international university students who are required to pay large tertiary fees, there is reasonable evidence to show that students from South Asia consider informal money transfer systems such as IVTS, ARS, and cash movements as a legitimate choice of remittance. This is despite strong international condemnation of these systems within the context of terrorist funding and money-laundering.

FREQUENCY, RELIABILITY AND OPPORTUNITY

In a further section within the survey, respondents were asked to indicate which remittance systems they relied upon most frequently. Across all regions there was nearly a 70% reliance on repeated use of formal bank transfers, whilst the corresponding percentage of use from South Asian respondents was only 37.5%. Informal systems including Hawala, Hundi and remittances through cash (either by self, friend, or family member) indicated a 35.6% frequency use by South Asian respondents versus an 11.4% frequent use by all other regions (Table 8). Since some remittances may be smaller in size to others, and taking into account the possibility that students making multiple remittances would respond according to other costs such as remittance fees, the results showing a more frequent use of the informal remittance might also underscore an indication that students from South Asia are economically more reliant on small, family-based transactions than those in other regions.

Table 8. System most frequently relied upon for Remittance

	Western Union and Money Gram	Bank and Telegraphic Transfers	IVTS such as Hawala and Hundi	Physical transfer of Cash	Friend or Family member	Unknown
All Regions	**14.4%**	**69.1%**	**6.5%**	**2.1%**	**2.8%**	**6.5%**
South Asia	**15.4%**	**37.5%**	**23.1%**	**8.7%**	**3.8%**	**0.0%**

The last survey result discussed in this paper relates to advice regarding the choice of transaction. By asking whether respondents made their choices about which system to use by referring to advice, it allows for a discussion on whether students seek the counsel and guidance of family members or whether they rely upon information from a wider range of sources such as their peers, their friends, or even market advertising and direction. Participants were allowed to nominate more than one area of advice. Respondents globally took advice in the ratio of 68.2% parents and relatives (ie Family), whilst 46% took advice from friends and/or advertising (Table 9). The South Asian respondents were more strongly drawn to advice from parents and relatives, with 90.9% of survey contributors taking advice from family, and only 18.2% taking advice from friends. South Asian respondents are more predisposed to accepting the financial advice of family members than respondents from other regions.

Table 9. Advice on International Remittances

	Parent	Relative	Friend	Advert
All Regions	**47.3%**	**20.9%**	**39.2%**	**6.8%**
South Asia	**59.1%**	**31.8%**	**18.2%**	**0.0%**

CONCLUSION

Terrorist Finance and the IVTS habits of students

Terrorist organisations have used informal systems such as Hawala for transferring funds. Notable events such as the September 11 2001 Twin Trade attacks and the 2005 Bali Bombings have been partly funded through informal transfer systems (FATF 2005). However, both these events and many others have also been similarly funded through systems requiring identity verification such as Bank Transfers, Western Union, and MoneyGram systems (Ibid). When combined with the results of this study two problems emerge based on the widespread use of IVTS by citizens such as students. The first is that shutting down permission to operate Hawala in western countries is unlikely to prevent terrorist organisations from funding operations in other countries. Terrorists have used every type of remittance described in this paper, and not simply informal IVTS and ARS transfers. They operate in whatever financial systems can be used and they are not simply drawn to IVTS such as Hundi and Hawala for its covert and remitter-identity obfuscations. Instead, what is evidenced from the survey in Australia is that continued use of Hundi and Hawala systems is used by mainstream citizens such as university students. The second problem is to suppose that the cultural norms and values (with respect to trust in western financial mechanisms) of South Asians can be eroded by the western regulatory insistence on audit and identity. The Hundi and Hawala remittance agents who service the transfer needs of international university students in Australia may not appear in the Yellow Pages or by announcing their business operations on store shop fronts, but they clearly exist (Cook et al. 2010).

Familial Trust versus Regulation

International students studying in Australian universities use a variety of systems (both formal and informal) for the purpose of transferring and paying large monetary sums for living expenses and university fees. From the

South Asian region a significantly higher proportion of these students use Hawala, Hundi and/or physically carry cash money into Australia. South Asians hold less trust in Western Banking institutions than they do in local, familial systems of money transfer. The idea that terrorists choose to use Hawala or Hundi systems for transferring money across international borders in order to mask identity needs to be considered against the strong evidence presented here that South Asians of all dispositions will prefer to use informal systems. The issue of trust (in remittances) is in fact more important than the issue of identity concealment. If ordinary university students from South Asia routinely use an informal system to transfer large sums of money into Australia, it is because they classify it as a safer and more trustworthy system of transfer than an official western-style banking institution or formalised wire transfer agency. The effect of Australian, United States and UK legislation to enforce identity-reliant audit systems for international remittances ignores the combined cultural instincts of South Asian people to engage in informal money transfers on the basis of familial and community trust, over and above acceptance of international financial regulation.

Financial decisions regarding the international transfer of large sums of money have two distinct masters. One is a regulatory master, demanding compliance to a system of record keeping that is dominated by western financial mechanisms. It operates under the assumption that corporate banking is safer than informal transfers because it records the identity of the remitter. The other master is the family, governing the key decision making processes of students and family members, a significant number of whom believe informal systems are safer than banks, and that the familial networks of informal remitters are more trustworthy than western finance institutions. Counter-terrorist policy is clearly prescriptive towards the first master whilst families form their own systems of trust and governance.

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